

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

BENTON TWP HOUSING COMMISSION

Financial Statements

September 30, 2005

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

TABLE OF CONTENTS

	<u>Page</u>
Management Discussion and Analysis	i
Independent Auditor's Opinion	ii
<u>FINANCIAL STATEMENTS</u>	
Statement of Net Assets	2
Statement of Revenues, Expenses, and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5
<u>SUPPLEMENTAL DATA</u>	
Combining Balance Sheet	10
Combining Statement of Income and Expenses	11
Schedule of Expenditures of Federal Awards	12
Status of Prior Audit Findings	13
Report on Compliance Applicable with Requirements to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	14
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16
Schedule of Findings and Questioned Cost	17
Finding:	
Tenant Accounting Discrepancies- Low Rent Program	18

As management of the Benton Township Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Benton Township Housing Commission's financial activities for the FYE 9/30/05. This discussion and analysis letter of the Benton Township Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

Overview of the Financial Statements

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented as fund financial statements because the Commission only has proprietary funds.

Required Financial Statements

The Statement of Net Assets includes the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Commissions to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

Benton Township Housing Commission Programs:

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital Needs. The Housing Commission also has the ability to use up to 20% of these funds, if need be, to supplement Operating Subsidies. This program is the primary funding source for physical improvements to its properties.

Section 8 Housing Choice Voucher Program: Under this program, the Housing Commission administers contracts with independent landlords to provide housing for low-income households. These units are not owned by the Housing Commission. The Housing Commission subsidizes the family's rent via a "Housing Assistance Payment" made directly to the landlord. HUD provides subsidy to the Housing Commission to enable the Housing Commission to set the rental rates at 30% of a participant's income.

Entity-Wide Financial Highlights:

The following Federal Assistance was received during FYE 9/30/05:

	<u>FYE</u> <u>9/30/05</u>	<u>FYE</u> <u>9/30/04</u>	<u>Dollar</u> <u>Change</u>	<u>Per</u> <u>Cent</u> <u>Change</u>
Public Housing Operating Subsidy	731,757	548,112	183,645	33.51%
Capital Fund Program Grants	521,770	1,015,055	(493,285)	- 48.60%
Sec. 8 Voucher	<u>361,914</u>	<u>366,903</u>	<u>(4,989)</u>	<u>-1.36%</u>
Total	1,615,441	1,930,070	(314,629)	- 16.30%

The subsidy for Public Housing increased due to increased utility costs. The subsidy for Sec. 8 decreased just over 1%. The decrease in the Capital Fund Program was due to the fact that our work projects during FYE 9/30/05 progressed along at a slower pace than the prior year, thus utilizing less of our Capital Fund Program funding in FYE 9/30/05 than in FYE 9/30/04.

The following represents changes in the Balance Sheet:

	<u>FYE</u> <u>9/30/05</u>	<u>FYE</u> <u>9/30/04</u>	<u>Dollar</u> <u>Change</u>	<u>Per</u> <u>Cent</u> <u>Change</u>
Cash & Investments	712,567	599,656	112,911	18.83%
Total Current Assets, net of inter-program (due from)	936,091	1,083,847	(147,756)	-13.63%
Fixed Assets, Net of Depreciation	5,842,706	6,104,912	(262,206)	-4.30%
Total Liabilities, net of inter-program (due to)	141,850	476,999	(335,149)	-70.26%
Total Equity/Net Assets	6,636,947	6,711,760	(74,813)	-1.11%

Total Current Assets decreased mainly due to the decrease in HUD Accounts Receivable at 9/30/05. The main area of decrease was in the Capital Funds Program. Because of the rapid pace of our work during the prior fiscal year we had a substantial HUD Accounts Receivable at 9/30/04. During FYE 9/30/05 we were just beginning to get our next major Capital project off the ground and, therefore, did not have a large HUD Accounts Receivable at 9/30/05.

Fixed Assets increased by \$361,783; this increase represents capital projects funded through the Capital Fund Programs (see details below). Although Fixed Assets increased by \$361,783, this was more than offset by depreciation charges of \$623,988, resulting in the net decrease stated in the above table.

Total Liabilities decreased due to two factors. At 9/30/04 we booked a payable to our CFP contractor in the amount of \$224,100. We also had Capital Fund Program contract retentions booked for \$70,013. There were no corresponding payables due on our Capital Fund Program as of 9/30/05. Secondly, our PILOT liability at 9/30/04 was \$42,057 which represented more than one year of PILOT liability. Our PILOT liability at 9/30/05 was only \$8,562, representing less than one year of PILOT liability.

Total Net Assets is comprised of two components: Invested in Capital Assets, which mirrors the decrease in Fixed Assets, Net of Depreciation as explained above. The other component is Unrestricted Net Assets, or what used to be called Operating Reserves. This figure increased due to the Operating Income generated by the Public Housing Program for FYE 9/30/05. There was also a substantial increase in the Equity section for Section 8 due to the HUD-issued accounting changes in the

Section 8 Housing Choice Voucher program (PIH Notice #2006-3). The following schedule compares the Revenues and Expenses for the current and prior fiscal years:

Statement of Revenues, Expenses, and Changes in Net Assets

	<u>FYE</u> <u>9/30/05</u>	<u>FYE</u> <u>9/30/04</u>	<u>Dollar</u> <u>Change</u>	<u>Per</u> <u>Cent</u> <u>Change</u>
Revenues:				
Tenant Revenue	806,771	764,374	42,397	5.5%
Other Revenue	<u>19,929</u>	<u>20,915</u>	<u>(986)</u>	-4.7%
Total PHA generated Revenue	826,700	785,289	41,411	5.3%
Operating Subsidies	1,253,659	1,166,987	86,672	7.4%
Capital Grants	<u>361,782</u>	<u>763,083</u>	<u>(401,301)</u>	-52.6%
Total Revenue	2,442,141	2,715,359	(273,218)	-10.1%
Expenses:				
Administrative	454,394	470,093	(15,699)	-3.3%
Tenant Services	17,604	27,111	(9,507)	-35.1%
Utilities	544,811	522,177	22,634	4.3%
Maintenance	508,654	482,813	25,841	5.4%
General	108,447	102,600	5,847	5.7%
Casualty Losses	3,831	1,539	2,292	148.9%
Housing Assistance Payments	255,825	330,937	(75,112)	-22.7%
Depreciation	<u>623,988</u>	<u>593,574</u>	<u>30,414</u>	5.1%
Total Expenses	2,517,554	2,530,844	(13,290)	-0.5%
Net Increase (Decrease)	(75,413)	184,515		

Revenues:

Benton Township Housing Commission's primary revenue sources are subsidies and grants received by HUD. Revenue received from HUD in FYE 9/30/05 for Public Housing and for Sec. 8 increased from FYE 9/30/04 to 9/30/05. For FYE 9/30/05, revenue generated by the Commission accounted for \$826,700 (or 34% of total revenue), while HUD contributions accounted for \$1,615,441 (or 66% of total revenue).

Expenses:

Total Expenses for FYE 9/30/04 were \$2,530,844 while for FYE 9/30/05 the total was \$2,517,554. This represents a slight decrease in our Operating Costs.

Net Increase/Decrease:

The decrease in the bottom line is primarily due to the decrease in Hard Cost Capital Grants as discussed earlier.

Budget Analysis:

A Low Rent Public Housing Operating Budget for fye 9/30/05 was presented to and approved by the Board of Commissioners. We had no reason to amend the budget during the fiscal year. Actual results were in line with budgeted amounts.

Entity-Wide Operational Highlights:

The Benton Township Housing Commission provided the following housing for low- income elderly and low-income families:

	<u>FYE</u> 9/30/05	<u>FYE</u> 9/30/04
Low Rent Public Housing	300	300
Sec. 8 Voucher	75	75

During FYE 9/30/05, Benton Township Housing Commission maintained a lease-up rate of 97.1% in its Public Housing Program and a lease-up rate of 89.9% in its Section 8 program. The Public Housing lease-up rate meets HUD guidelines. The lease-up rate in Section 8 is low; we have replaced that staff person and are working now to increase the lease-up rate in that program.

During FYE 9/30/05, our Capital Fund Program work projects included:

- We completed the comprehensive project to upgrade electrical in all our units in order to install air conditioners and dryers.
- We continued our appliance replacement program throughout our projects.
- We purchased a new truck
- We purchased one Dell PC.
- We made concrete repairs as needed throughout the project.

Economic Factors and Next Year's Budget and Rates

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

The Housing Commission is very concerned about the effect of the Project-Based Management and Accounting requirements on a Commission of such small size. We feel that the threshold of 250 units is too low to impose Project-Based Management and Accounting. After attending training, we feel that Project Based Management does make sense at larger authorities (500+ units), but that it will cost us more to operate our Public Housing Program on this decentralized basis than the agency-wide basis as we operate today. We will be less efficient. Inevitably, cuts in services to our residents will have to be made.

Request for Information

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Sharon Hester, Executive Director
Benton Township Housing Commission
1216 Blossom Lane
Benton Harbor, MI 49022

John C. DiPiero, P.C.

Certified Public Accountant

P. O. Box 378
Hemlock, Michigan 48626
Tel / Fax (988) 642-2092

Board of Commissioners
Benton Township Housing Commission
1216 Blossom Lane
Benton Harbor, Michigan 49022

Independent Auditor's Report

I have audited the Business Type Activities of the Benton Twp Housing Commission as of and for the year ended September 30, 2005. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Benton Twp Housing Commission as of September 30, 2005, and the results of its operations and the cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Required Supplemental Information

The Management's Discussion and Analysis and the required supplemental information are not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Combining Financial Statements

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, if fairly stated in all material respects in relation to the financial statements taken as whole.

Certified Public Accountant

April 27, 2006

BENTON TWP HOUSING COMMISSION
Statement of Net Assets
September 30, 2005

ASSETS

C-3027

CURRENT ASSETS

Cash	\$	455,264	
Accounts Receivable (Net)		128,268	
Investments		277,363	
Prepaid Expenses		<u>75,196</u>	
Total Current Assets	\$		936,091

NON CURRENT ASSETS

Land	\$	250,681	
Buildings		5,024,388	
Building Improvements		7,071,923	
Furniture, Equipment- Dwellings		412,180	
Furniture, Equipment- Administrative		292,731	
Construction in Progress		493,749	
Accumulated Depreciation		<u>(7,702,946)</u>	
Total Non Current Assets			<u>5,842,706</u>

TOTAL ASSETS \$ 6,778,797

BENTON TWP HOUSING COMMISSION
Statement of Net Assets
September 30, 2005

LIABILITIES & NET ASSETS

C-3027

LIABILITIES:

CURRENT LIABILITIES

Accounts Payable	\$ 27,046
Accrued Liabilities	25,056
Tenants Security Deposit	65,345
Accounts Payable- Other Governments	8,562
Deferred Revenue	<u>4,666</u>

<u>Total Current Liabilities</u>	\$ 130,675
----------------------------------	------------

NON CURRENT LIABILITIES

Accrued Compensated Absences	<u>11,175</u>
------------------------------	---------------

<u>Total Liabilities</u>	\$ 141,850
--------------------------	------------

NET ASSETS:

Investment in Fixed Assets net of Related Debt	\$ 5,842,706
Unrestricted Net Assets	<u>794,241</u>

<u>Total Net Assets</u>	<u>6,636,947</u>
-------------------------	------------------

<u>TOTAL LIABILITIES & NET ASSETS</u>	<u>\$ 6,778,797</u>
-------------------------------------------	---------------------

The Accompanying Footnotes are an Integral Part of the Financial Statements

BENTON TWP HOUSING COMMISSION
Statement of Revenue, Expenses, and Changes in Net Assets
For the year ended September 30, 2005

OPERATING REVENUE

Tenant Rental Revenue	\$	777,991	
Tenant Revenue-Other		28,780	
HUD Grants		1,253,659	
Interest Income		10,866	
Other Income		<u>9,063</u>	
<u>Total Operating Revenue</u>	\$		2,080,359

OPERATING EXPENSES

Administrative	\$	454,394	
Tenant Services		17,604	
Utility Expenses		544,811	
Ordinary Maintenance		508,654	
General Expenses		<u>108,447</u>	
<u>Total Operating Expenses</u>			<u>1,633,910</u>
<u>Operating Income (Loss)</u>	\$		446,449

NONOPERATING REVENUE (EXPENSES)

Housing Assistance Payments	\$	(255,825)	
Casualty Losses		(3,831)	
Depreciation Expenses		<u>(623,988)</u>	
<u>Total NonOperating Revenue (Expenses)</u>			<u>(883,644)</u>
<u>Income (Loss) before Contributions</u>	\$		(437,195)

CAPITAL CONTRIBUTIONS

<u>Changes in Net Assets</u>	\$		(75,413)
Total Net Assets- Beginning	\$	6,711,760	
HUD funding adjustment		<u>600</u>	<u>6,712,360</u>
Total Net Assets- Ending	\$		<u>6,636,947</u>

The Accompanying Notes are an Integral part of the Financial Statements

BENTON TWP HOUSING COMMISSION
Combined Statement of Cash Flows
For the Year Ended September 30, 2005

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 808,832
Payments to Suppliers	(1,600,876)
Payments to Employees	(445,303)
HUD Grants	1,615,441
Other Receipts (Payments)	<u>19,929</u>
Net Cash Provided (Used) by Operating Activities	\$ 398,023

CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	\$ <u>(361,783)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 36,240
Balance- Beginning of Year	<u>419,024</u>
Balance- End of Year	\$ <u>455,264</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Profit or (Loss)	\$ (75,413)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	623,023
Changes in Assets (Increase) Decrease:	
Receivables (Gross)	290,912
Investments	(96,731)
Prepaid Expenses	(10,185)
Changes in Liabilities Increase (Decrease):	
Accounts Payable	(288,530)
Accrued Liabilities	(16,881)
Security Deposits	1,538
Accounts Payable- Other Governments	(30,747)
Deferred Revenue	<u>1,037</u>
Net Cash Provided by Operating Activities	\$ <u>398,023</u>

The Accompanying Notes are an Integral part of the Financial Statements

BENTON TWP HOUSING COMMISSION
Notes to Financial Statements
September 30, 2005

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity-

Benton Twp. Housing Commission, Benton Harbor, Michigan, (Commission) was created by ordinance of Benton Township. The Commission signed and Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 32-001	Low rent program	300 units
MI 32-V0 032-2, 3	Section 8 Vouchers	75 units

In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above, there are no component units.

These criteria were considered in determining the reporting entity.

Basis of Presentation-

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Notes to Financial Statements- continued

Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1998, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1998, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, provided they do not conflict with Governmental Accounting Standards Board (GASB) pronouncements.

Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

Assets, Liabilities, and Net Assets-

Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Notes to Financial Statements- continued

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is reported as Invested in Capital Assets, Net of Related Debt.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	40 years
Equipment	3-10 years

Compensated Absences

Sick leave and other compensated absences with similar characteristics have been accrued as a liability. The amount accrued was based on the probability that the Commission will compensate the employees for the benefits through cash payments as a condition of the employees' termination or retirement.

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

Checking Accounts	\$ 50,974
Savings Accounts	403,990
Petty Cash	<u>300</u>
Financial Statement Total	\$ <u>455,264</u>

Investments:

Certificates of Deposit	\$ <u>277,363</u>
-------------------------	-------------------

Notes to Financial Statements- continued

Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

	Categories			Carrying	Market
	1	2	3	Amount	Value
Cash:					
Checking A/C's	\$ 50,974	\$	\$	\$ 50,974	\$ 50,974
Petty Cash	300			300	300
Savings Accounts	<u>403,990</u>			<u>403,990</u>	<u>403,990</u>
Total Cash	\$ <u>455,264</u>	\$	\$	\$ <u>455,264</u>	\$ <u>455,264</u>
Investments:					
C/D's	\$ <u>277,363</u>	\$	\$	\$ <u>277,363</u>	\$ <u>277,363</u>

Note 3: Accounts Receivable

Accounts Receivable consist of the following:

Accounts Receivable	\$ 3,725	
Allowance for Doubtful Accounts	<u>(1,433)</u>	\$ 2,292
Account Receivable-Family Investment Center	\$ 15,563	
Accounts Receivable- HUD	107,823	
Accounts Receivable-Miscellaneous	560	
Accrued Interest Receivable	<u>2,030</u>	<u>125,976</u>
Accounts Receivable, net		\$ <u>128,268</u>

Note 4: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	Beginning of Year	Additions	Deletions	End of Year
Land	\$ 250,681	\$	\$	\$ 250,681
Buildings	5,024,388	7,071,923		12,096,311
Furniture & Equipment-Dwellings	229,293	182,887		412,180
Furniture & Equipment-Admin	272,855	19,876		292,731
Construction in Progress	<u>7,406,652</u>		<u>6,912,903</u>	<u>493,749</u>
	\$13,183,869	\$7,274,686	\$6,912,903	\$13,545,652
Less Accumulated Depreciation	<u>7,078,957</u>	<u>623,988</u>		<u>7,702,945</u>
	\$ <u>6,104,912</u>	\$ <u>6,650,698</u>	\$ <u>6,912,903</u>	\$ <u>5,842,707</u>

Notes to Financial Statements- continued

Note 5: Accrued Liabilities

Accrued Liabilities consist of the following:

Accrued Wages & Benefits	\$ 8,649
Compensated Absences	1,241
Accrued Utilities Payable	<u>15,166</u>
Financial Statement Total	<u>\$ 25,056</u>

Note 6: Pension Plan

The Commission has a Defined Contribution Pension Plan (Plan) for governmental employees. The Plan allows for early retirement (age 55), normal retirement (age 65), employer contributions (10% of compensation), mandatory after-tax employee contributions (5% of compensation), and voluntary after tax employee contributions (1-10% of compensation). In addition to the above, no age requirements exist for eligibility, and 100% vesting is immediate. Plan assets and funding statistics are available under separate cover provided to the Commission by the Insurer.

Note 7: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Note 8: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 21,583,000
General Liability	1,000,000
Dishonesty Bond	1,000,000
Automobile Liability	300,000
Worker's Compensation and other riders: minimum coverage's required by the State of Michigan	

Note 9: Combining Financial Data Schedules.

The totals in the Combining Balance Sheet and Combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

Benton Twp Housing Commission

30-Sep-05

MI032

Combining Balance Sheet		Low Rent 14.850	Section 8 Housing Choice Voucher Program 14.871	Capital Projects Funds 14.872	TOTAL
Line Item #					
	ASSETS:				
	CURRENT ASSETS:				
	Cash:				
111	Cash - unrestricted	435,204	20,060	-	455,264
112	Cash - restricted - modernization and developmen	-			-
113	Cash - other restricted				-
114	Cash - tenant security deposits				-
100	Total cash	435,204	20,060	-	455,264
	Accounts and notes receivables:				
121	Accounts receivable - PHA projects		-		-
122	Accounts receivable - HUD other projects	-	-	107,823	107,823
124	Accounts receivable - other government				-
125	Accounts receivable - miscellaneous	14,821	742		15,563
126	Accounts receivable- tenants - dwelling rents	3,725			3,725
126.1	Allowance for doubtful accounts - dwelling rents	(1,433)			(1,433)
126.2	Allowance for doubtful accounts - other				-
128	Fraud recovery	560			560
128.1	Allowance for doubtful accounts - fraud				-
129	Accrued interest receivable	2,030			2,030
120	Total receivables, net of allowances for doubtful accou	19,703	742	107,823	128,268
	Current investments				-
131	Investments - unrestricted	277,363			277,363
132	Investments - restricted				-
142	Prepaid expenses and other assets	75,196			75,196
143	Inventories				-
143.1	Allowance for obsolete inventories				-
144	Interprogram - due from	107,823	52,193	-	160,016
146	Amounts to be provided				-
150	TOTAL CURRENT ASSETS	915,289	72,995	107,823	1,096,107
	NONCURRENT ASSETS:				
	Fixed assets:				
161	Land	230,681	20,000		250,681
162	Buildings	5,024,388			5,024,388
163	Furniture, equipment & machinery - dwellings	229,293	-	182,887	412,180
164	Furniture, equipment & machinery - administrator	272,855	-	19,876	292,731
165	Building Improvements	7,071,923		-	7,071,923
167	Construction in Progress			493,749	493,749
166	Accumulated depreciation	(7,691,215)	-	(11,731)	(7,702,946)
160	Total fixed assets, net of accumulated depreciator	5,137,925	20,000	684,781	5,842,706
171	Notes and mortgages receivable - non-current				-
172	Notes and mortgages receivable-non-current-past due				-
174	Other assets				-
175	Undistributed debits				-
176	Investment in joint ventures				-
180	TOTAL NONCURRENT ASSETS	5,137,925	20,000	684,781	5,842,706
190	TOTAL ASSETS	6,053,214	92,995	792,604	6,938,813

	LIABILITIES AND EQUITY:				
	LIABILITIES:				
	CURRENT LIABILITIES				
311	Bank overdraft				-
312	Accounts payable ≤ 90 days	26,626	420		27,046
313	Accounts payable > 90 days past due				-
321	Accrued wage/payroll taxes payable	8,649	-		8,649
322	Accrued compensated absences	1,241			1,241
324	Accrued contingency liability				-
325	Accrued interest payable				-
331	Accounts payable - HUD PHA programs		-		-
332	Accounts Payable - PHA Projects		-		-
333	Accounts payable - other government	8,562	-	-	8,562
341	Tenant security deposits	65,345			65,345
342	Deferred revenues	4,666	-		4,666
343	Current portion of Long-Term debt - capital projects				-
344	Current portion of Long-Term debt - operating borrowings				-
345	Other current liabilities	-			-
346	Accrued liabilities - other	15,166			15,166
347	Inter-program - due to	52,193	-	107,823	160,016
310	TOTAL CURRENT LIABILITIES	182,448	420	107,823	290,691
	NONCURRENT LIABILITIES:				
351	Long-term debt, net of current- capital projects				-
352	Long-term debt, net of current- operating borrowings				-
353	Noncurrent liabilities- other	-			-
354	Accr. Comp. Absences- non current	11,175			11,175
350	TOTAL NONCURRENT LIABILITIES	11,175	-	-	11,175
300	TOTAL LIABILITIES	193,623	420	107,823	301,866
	EQUITY:				
501	Investment in general fixed assets				-
	Contributed Capital:				
502	Project notes (HUD)	-			-
503	Long-term debt - HUD guaranteed	-			-
504	Net HUD PHA contributions	-			-
505	Other HUD contributions				-
507	Other contributions	-			-
508	Total Contributed Capital	-	-	-	-
508.1	Invested in Capital Assets, Net of Related Debt	5,137,925	20,000	684,781	5,842,706
	Reserved fund balance:				
509	Reserved for operating activities				-
510	Reserved for capital activities				-
511	Total reserved fund balance	-	-	-	-
512	Undesignated fund balance/retained earnings	-	-	-	-
512.1	Unrestricted Net Assets	721,666	72,575	-	794,241
513	TOTAL EQUITY	5,859,591	92,575	684,781	6,636,947
600	TOTAL LIABILITIES AND EQUITY	6,053,214	92,995	792,604	6,938,813

- - - -

Benton Twp Housing Commission

30-Sep-05

MI032

		Low Rent 14.850	Housing Choice Voucher Program 14.871	Capital Projects Funds 14.872	TOTAL
Combining Income Statement					
Line Item #				-	
	REVENUE:	-	-		
703	Net tenant rental revenue	777,991			777,991
704	Tenant revenue - other	28,780			28,780
705	Total tenant revenue	806,771	-	-	806,771
706	HUD PHA grants	731,757	361,914	521,770	1,615,441
708	Other government grants				-
711	Investment income - unrestricted	10,777	89	-	10,866
712	Mortgage interest income				-
714	Fraud recovery		1,573		1,573
715	Other revenue	6,040	1,450	-	7,490
716	Gain or loss on the sale of fixed assets	-			-
720	Investment income - restricted				-
700	TOTAL REVENUE	1,555,345	365,026	521,770	2,442,141
	EXPENSES:				
	Administrative				
911	Administrative salaries	197,068	24,000	22,000	243,068
912	Auditing fees	6,150	-		6,150
913	Outside management fees				-
914	Compensated absences	1,312			1,312
915	Employee benefit contributions- administrative	81,481	11,195	13,000	105,676
916	Other operating- administrative	94,454	3,734	-	98,188
	Tenant services				
921	Tenant services - salaries				-
922	Relocation costs	-			-
923	Employee benefit contributions- tenant services				-
924	Tenant services - other	1,641		15,963	17,604
	Utilities				
931	Water	148,551			148,551
932	Electricity	99,170			99,170
933	Gas	297,090			297,090
934	Fuel				-
935	Labor				-
937	Employee benefit contributions- utilities				-
938	Other utilities expense	-			-
	Ordinary maintenance & operation				
941	Ordinary maintenance and operations - labor	192,235		10,000	202,235
942	Ordinary maintenance and operations - materials & contract costs	64,006		-	64,006
943	Ordinary maintenance and operations - contract costs	160,584		3,544	164,128
945	Employee benefit contributions- ordinary maintenance	78,285			78,285
	Protective services				

952	Protective services- other contract costs				-
953	Protective services - other				-
955	Employee benefit contributions- protective services				-
	General expenses				
961	Insurance premiums	89,874			89,874
962	Other General Expenses	-			
963	Payments in lieu of taxes	14,193			14,193
964	Bad debt - tenant rents	4,380			4,380
965	Bad debt- mortgages				-
966	Bad debt - other				-
967	Interest expense				-
968	Severance expense	-			-
969	TOTAL OPERATING EXPENSES	1,530,474	38,929	64,507	1,633,910
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	24,871	326,097	457,263	808,231
971	Extraordinary maintenance	-			-
972	Casualty losses - non-capitalized	3,831			3,831
973	Housing assistance payments		255,825	-	255,825
974	Depreciation expense	612,257		11,731	623,988
975	Fraud losses				-
976	Capital outlays- governmental funds	-			-
977	Debt principal payment- governmental funds				-
978	Dwelling units rent expense				-
900	TOTAL EXPENSES	2,146,562	294,754	76,238	2,517,554
	OTHER FINANCING SOURCES (USES)				
1001	Operating transfers in (out)	95,510		(95,510)	-
1002	Operating transfers out	(29)		29	-
1003	Operating transfers from/to primary government			-	-
1004	Operating transfers from/to component unit				-
1005	Proceeds from notes, loans and bonds				-
1006	Proceeds from property sales				-
1010	TOTAL OTHER FINANCING SOURCES (USES)	95,481	-	(95,481)	-
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER TOTAL EXPENSES	(495,736)	70,272	350,051	(75,413)

BENTON TWP HOUSING COMMISSION
Schedule of Annual Federal Awards
For the Year Ended September 30, 2005

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Direct Programs:

	<u>Annual Program Expenditures</u>
* <u>CFDA 14.850 Public and Indian Housing</u>	
C-3029 Operating Subsidies	\$ <u>731,757</u>
* <u>CFDA 14.871 Housing Assistance Programs</u>	
C-3099V Section 8 Housing Choice Vouchers	\$ <u>361,914</u>
* <u>CFDA 14.872 Capital Projects Funds</u>	
C-3029 Capital Projects Grants	\$ <u>521,770</u>
	\$ <u>1,615,441</u>

*Connotes Major Program Category

Significant Account Policies

The accounting policies of the Commission conform to generally accepted accounting principles as applicable to governmental proprietary funds. The financial statements contained in the Commission's annual audit report are prepared on the accrual basis of accounting; revenues are recognized when earned, expenses are recorded when the related services or product are received.

Risk management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 21,583,000
General Liability	1,000,000
Dishonesty Bond	1,000,000
Automobile Liability	300,000
Worker's Compensation and other riders: minimum coverage's required by the State of Michigan	

BENTON TWP HOUSING COMMISSION
Status of Prior Audit Findings
September 30, 2005

The prior audit of the Benton Twp Housing Commission for the period ended September 30, 2004, contained three audit findings; the corrective action taken by the Commission is as follows:

- 1) Tenant Accounting Discrepancies- Low Rent Program; The areas of concern mentioned in last years audit have been addressed; however, other areas tested have revealed additional concerns- see findings.
- 2) Credit Card Policy- the Commission adopted an acceptable policy.
- 3) Tenant Accounting Discrepancies- Section 8 Program, all discrepancies have been satisfactorily resolved.

BENTON TWP HOUSING COMMISSION
Report on Compliance Applicable with Requirements to
Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133
September 30, 2005

Compliance

I have audited the compliance of Benton Twp Housing Commission with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2005. Benton Twp Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Benton Twp Housing Commission's management. My responsibility is to express an opinion on Benton Twp Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Benton Twp Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Benton Twp Housing Commission's compliance with those requirements.

As described in the following findings in the accompanying schedule of findings and questioned costs, the Commission failed to comply with one or more of the following compliance requirements: Activities allowed or unallowed, Allowable Costs/cost Principles, Cash Management, Davis-Bacon Act, Eligibility, Procurement, Reporting, or other compliance matters. Compliance with such requirements is necessary, in my opinion, for the Commission to comply with the requirements applicable to that program. The following programs, findings and compliance matters are detailed in the schedule of findings and questioned cost:

Low Rent Public Housing:

<u>Finding</u>	<u>Audit Number</u>	<u>Compliance Requirements</u>
----------------	-------------------------	--------------------------------

Public Housing:

Tenant Accounting Discrepancies	5-1	Eligibility
---------------------------------	-----	-------------

In my opinion, except for the noncompliance described in the preceding paragraph, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

Internal Control over Compliance

The management of Benton Twp Housing Commission entity is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Benton Twp Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

I noted certain matters involving the internal control over compliance and its operation that I considered to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect the Commission's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as referred to above.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe that none of the reportable conditions described above is a material weakness.

This report is intended for the information of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

April 27, 2006

BENTON TWP HOUSING COMMISSION
Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards
September 30, 2005

I have audited the financial statements of Benton Twp Housing Commission, Benton Harbor, Michigan, as of and for the year ended September 30, 2005, and have issued my report thereon dated April 27, 2006. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Benton Twp Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards; see the findings and questioned cost section of this audit report.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Benton Twp Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no instances which may be considered weaknesses that are required to be reported under Government Auditing Standards.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Certified Public Accountant

April 27, 2006

BENTON TWP HOUSING COMMISSION
Schedule of Findings and Questioned Cost
September 30, 2005

1) Summary of Auditor's Results:

Programs:

	<u>Major Program</u>	<u>Non Major Program</u>
Low income Public Housing	X	
Section 8 New Construction	X	
Capital Projects Funds	X	

Opinions:

General Purpose Financial Statements-

Unqualified

Material weakness(es) noted	<u> </u> Yes	<u> X </u> No
-----------------------------	---------------------	-----------------

Reportable condition(s) noted	<u> </u> Yes	<u> X </u> No
-------------------------------	---------------------	-----------------

Non Compliance material to financial statements noted	<u> </u> Yes	<u> X </u> No
-------------------------------------------------------	---------------------	-----------------

Report on compliance for Federal programs-

Qualified

Material weakness(es) noted	<u> </u> Yes	<u> X </u> No
-----------------------------	---------------------	-----------------

Reportable condition(s) noted	<u> X </u> Yes	<u> </u> No
-------------------------------	------------------	--------------------

Non Compliance material to financial statements noted	<u> </u> Yes	<u> X </u> No
-------------------------------------------------------	---------------------	-----------------

Thresholds:

Dollar limit used to determine type A & B programs- \$ 300,000

The Auditee did qualify as a low risk auditee.

<u>Name of Federal Program</u>	<u>Major Program</u>	<u>Questioned Costs</u>	<u>Audit Finding Number</u>
Low Rent Public Housing	Yes	None	05-1
Section 8 Vouchers	Yes	None	N/A
Capital Fund Project	Yes	None	N/A

BENTON TWP HOUSING COMMISSION
Schedule of Findings & Questioned Cost
September 30, 2005

The following findings of the Benton Twp Housing Commission, for the year ended September 30, 2005, was discussed with the Executive Director, Ms. Sharon Hester, in an exit interview conducted April 27, 2006.

Finding 04-1:

Tenant Accounting Discrepancies, Low Rent Program

Out of 10 files tested the following discrepancies were discovered:

3 files did not include banking information which was verified; the information would not affect the rent calculation, but was unreported on the HUD form 50058.

None of the files contained a Community Service Letter

The lease is an annual lease, but after the first year goes to a month by month.

Recommendation

HUD requires all banking and investment information be included on the HUD 50058; the form dictates whether imputed interest will be included.

Community service requirements are required for unemployed tenants that meet certain requirements; the Commission needs to track those individuals and mandate compliance. A letter stating the status of the all tenants regarding Community Service is required in the tenant file.

HUD requires the use of annual leases; the current lease for the first year is annual, but then reverts to monthly.

I would recommend the Commission review the above issues and correct all files within the next recertification.

Reply

The Commission will correct all tenants' files within the next recertification for the following; bank and investment information that is included on HUD 50058; community services requirement letters and will have in place a new annual Dwelling Lease.